

CITY OF CLARION, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2021

- Prepared By -

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CITY OF CLARION, IOWA

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CITY OF CLARION, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Duane Asbe	Mayor	January 2022
Andy Young	Mayor Pro tem	January 2024
Dan Hennigar	Council Member	January 2022
Dave Maxheimer	Council Member	January 2022
Jim Williams	Council Member	January 2022
Shayne Hennigar	Council Member	January 2024
Clint Middleton	City Administrator/Clerk	Indefinite
Susan Hammen	Treasurer	Indefinite
Zachary Chizek	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the financial statements referred to above do not include the financial transactions of the Iowa Specialty Hospital - Clarion, a component unit of the City of Clarion, pertaining to the Enterprise Funds, which should be included in order to conform with U.S. generally accepted accounting principles. The financial transactions that should have been recorded are on a different basis of accounting.

Qualified Opinions

In my opinion, except for the effects on the financial statements due to the exclusion of the financial transactions of the Iowa Specialty Hospital - Clarion from the reporting entity, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarion's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 9 and 35 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated October 11, 2021 on my consideration of the City of Clarion's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Clarion's internal control over financial reporting and compliance.



Charles City, Iowa
October 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Clarion provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 8.3%, or approximately \$328,000, from fiscal year 2020 to fiscal year 2021. Charges for service, property tax and local option sales tax increased approximately \$146,000, \$171,000 and \$68,000, respectively, while capital grants, contributions and restricted interest decreased approximately \$151,000.

Disbursements of the City's governmental activities decreased 7.3%, or approximately \$320,000 in fiscal year 2021 from fiscal year 2020. Community and economic development and capital projects disbursements increased approximately \$56,000 and \$131,000, respectively, while public safety, public works and debt service disbursements decreased approximately \$186,000, \$219,000 and \$76,000.

The City's total cash basis net position increased 23.1%, or approximately \$1,036,000, from June 30, 2020 to June 30, 2021. Of this amount, the cash basis net position of the governmental activities increased approximately \$600,000 and the cash basis net position of the business type activities increased by approximately \$436,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds, including water, sewer and landfill accounts.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$2,617,000 to approximately \$3,217,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service	\$ 526	\$ 380
Operating grants, contributions and restricted interest	565	513
Capital grants, contributions and restricted interest	310	461
General receipts:		
Property tax	2,321	2,150
Local option sales tax	374	306
Unrestricted interest on investments	28	12
Other general receipts	136	110
Total receipts	<u>\$ 4,260</u>	<u>\$ 3,932</u>
Disbursements:		
Public safety	\$ 982	\$ 1,168
Public works	1,010	1,229
Health and social services	8	3
Culture and recreation	423	438
Community and economic development	183	127
General government	571	587
Debt service	721	797
Capital projects	141	10
Total disbursements	<u>\$ 4,039</u>	<u>\$ 4,359</u>
Change in cash basis net position before transfers	\$ 221	\$ (427)
Transfers, net	<u>379</u>	<u>453</u>
Change in cash basis net position	\$ 600	\$ 26
Cash basis net position beginning of year	<u>2,617</u>	<u>2,591</u>
Cash basis net position end of year	<u>\$ 3,217</u>	<u>\$ 2,617</u>

The City's total receipts for governmental activities increased 8.3%, or approximately \$328,000 over the prior year. The total cost of all programs and services decreased approximately \$320,000, or 7.3% with no new programs added this year. The increase in receipts was primarily the result of property tax and local option sales tax. The decrease in disbursements was due primarily to public safety and public works expenses.

The cost of all governmental activities this year was approximately \$4,039,000 compared to approximately \$4,359,000 last year. However, as shown in the Statement of Activities and Net Position on pages 10-13, the amount taxpayers ultimately financed for these activities was approximately \$2,638,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$526,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$875,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2021 from approximately \$1,354,000 to approximately \$1,401,000.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 956	\$ 927
Sewer	943	915
Other	177	181
Capital grants, contributions and restricted interest	725	137
General receipts:		
Bond and note proceeds, net	1,565	382
Other general receipts	39	4
Total receipts	<u>\$ 4,405</u>	<u>\$ 2,546</u>
Disbursements:		
Water	\$ 481	\$ 498
Water utility improvement	1,437	-
Water well project	493	864
Water main project	5	-
Water plant project	394	-
Sewer	263	230
Other	517	551
Total disbursements	<u>\$ 3,590</u>	<u>\$ 2,143</u>
Change in cash basis net position before transfers	\$ 815	\$ 403
Transfers, net	<u>(379)</u>	<u>(453)</u>
Change in cash basis net position	\$ 436	\$ (50)
Cash basis net position beginning of year	<u>1,861</u>	<u>1,911</u>
Cash basis net position end of year	<u>\$ 2,297</u>	<u>\$ 1,861</u>

Total business type activities receipts for the fiscal year were approximately \$4,405,000 compared to approximately \$2,546,000 last year. This increase was due primarily to approximately \$1,183,000 more in revenue note proceeds for the water utility, water well and water main projects. The cash balance increased by approximately \$436,000 from the prior year. Total disbursements for the fiscal year increased by 67.5% to a total of approximately \$3,590,000 mainly due to the water utility improvement project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Clarion completed the year, its governmental funds reported a combined fund balance of \$3,217,119, an increase of \$599,653 above last year's total of \$2,617,466. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$372,522 from the prior year to \$1,308,453. This increase was due to fewer airport projects during the year of approximately \$342,000.

The Special Revenue, Road Use Tax Fund cash balance increased \$2,700 to \$236,197 due to transfers in during the year.

The Special Revenue, Employee Benefits Fund cash balance was \$319,696, an increase of \$73,271 from the previous year. The increase was the result of fewer employee benefit expenses paid.

The Special Revenue, Local Option Sales Tax Fund cash balance increased \$190,494 to \$729,029 during the fiscal year. This increase was attributable to additional local option sales tax receipts during the year.

The Debt Service Fund cash balance increased \$7,491 to \$225,423, due primarily to additional property tax receipts during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$65,274 to \$595,896, due primarily to an increase in the sale of water.

The Enterprise, Water Utility Improvement Fund cash balance increased \$133,684 to \$322,526, due primarily to transfers in and revenue bond and note proceeds received ahead of capital project costs.

The Enterprise, Water Well Project Fund cash balance increased \$367,348 to \$(26,561), due to bond proceeds received.

The Enterprise, Water Main Project Fund cash balance was \$156,177, an increase of \$51,031 from the previous year.

The Enterprise, Water Plant Project Fund was established during the year. The ending cash balance was \$(393,496) due to capital projects incurred.

The Enterprise, Sewer Fund cash balance increased \$54,676 to \$735,184, due primarily to an increase in charges for service during the year.

The Enterprise, Sewer Improvement Fund cash balance increased \$150,000 from the prior year to \$586,636. This increase was the result of transfers in.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 25, 2021 and resulted in an increase in operating disbursements in community and economic development. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the public works, health and social services, community and economic development, debt service and business type activities functions for the year ended June 30, 2021.

DEBT ADMINISTRATION

At June 30, 2021, the City had approximately \$10,653,000 of bonds and notes and other long-term debt outstanding, compared to approximately \$10,008,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2021	2020
General obligation bonds and notes	\$ 3,243	\$ 3,709
Revenue bonds and notes	6,944	6,200
Anticipatory notes	466	99
Total	<u>\$10,653</u>	<u>\$10,008</u>

Debt increased as a result of issuing revenue bonds for the water utility improvement, water well project and water main project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,243,000 is below its constitutional debt limit of \$7,504,317.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarion's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

Clarion continues to partner as team members with the Clarion Economic Development Corporation, Iowa Specialty Hospital - Clarion and other local businesses for the betterment of providing economic development opportunities.

At this time, the City and I2i Clarion, Inc. are completing a new housing development on the east edge of town called White Fox Landing. The development includes three phases and there are 23 available lots for building single family homes.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clint Middleton, City Administrator, 121 1st SW, Clarion, Iowa 50525.

Basic Financial Statements

CITY OF CLARION, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 982,405	\$ 302,333	\$ 43,380	\$ -
Public works	1,009,589	37,669	426,537	227,005
Health and social services	7,800	-	-	-
Culture and recreation	423,343	95,512	30,184	-
Community and economic development	182,573	21,541	-	83,042
General government	571,262	69,130	64,384	-
Debt service	720,956	-	-	-
Capital projects	141,479	-	-	-
Total governmental activities	\$ 4,039,407	\$ 526,185	\$ 564,485	\$ 310,047
Business type activities:				
Water	\$ 481,268	\$ 955,920	\$ -	\$ -
Water utility improvement	1,437,394	-	-	-
Water well project	492,828	-	-	250,137
Water main project	5,180	-	-	474,764
Water plant project	393,496	-	-	-
Sewer	263,370	943,395	-	-
Other	517,170	177,322	-	-
Total business type activities	\$ 3,590,706	\$2,076,637	\$ -	\$ 724,901
Total	\$ 7,630,113	\$2,602,822	\$ 564,485	\$1,034,948

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ (636,692)	\$ -	\$ (636,692)
(318,378)	-	(318,378)
(7,800)	-	(7,800)
(297,647)	-	(297,647)
(77,990)	-	(77,990)
(437,748)	-	(437,748)
(720,956)	-	(720,956)
(141,479)	-	(141,479)
<hr/>	<hr/>	<hr/>
\$ (2,638,690)	\$ -	\$ (2,638,690)
\$ -	\$ 474,652	\$ 474,652
-	(1,437,394)	(1,437,394)
-	(242,691)	(242,691)
-	469,584	469,584
-	(393,496)	(393,496)
-	680,025	680,025
-	(339,848)	(339,848)
<hr/>	<hr/>	<hr/>
\$ -	\$ (789,168)	\$ (789,168)
\$ (2,638,690)	\$ (789,168)	\$ (3,427,858)

CITY OF CLARION, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Local option sales tax
- Unrestricted interest on investments
- Bond and note proceeds, net
- Miscellaneous
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable:

- Cemetery perpetual care

Expendable:

- Streets
- Urban renewal purposes
- Debt service
- Capital projects
- Other purposes

Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ 1,609,017	\$ -	\$ 1,609,017
320,962	-	320,962
391,314	-	391,314
374,443	-	374,443
27,823	-	27,823
-	1,564,904	1,564,904
136,047	39,438	175,485
378,737	(378,737)	-
<u>\$ 3,238,343</u>	<u>\$ 1,225,605</u>	<u>\$ 4,463,948</u>
\$ 599,653	\$ 436,437	\$ 1,036,090
<u>2,617,466</u>	<u>1,860,890</u>	<u>4,478,356</u>
<u>\$ 3,217,119</u>	<u>\$ 2,297,327</u>	<u>\$ 5,514,446</u>
\$ 75,681	\$ -	\$ 75,681
236,197	-	236,197
17,695	-	17,695
225,423	-	225,423
123,155	1,078,076	1,201,231
1,227,653	-	1,227,653
1,311,315	1,219,251	2,530,566
<u>\$ 3,217,119</u>	<u>\$ 2,297,327</u>	<u>\$ 5,514,446</u>

CITY OF CLARION, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

		<u>Special Revenue</u>	
		<u>Road</u>	
	<u>General</u>	<u>Use</u>	<u>Employee</u>
		<u>Tax</u>	<u>Benefits</u>
RECEIPTS:			
Property tax	\$ 853,046	\$ -	\$ 491,681
Local option sales tax	-	-	-
Tax increment financing	-	-	-
Other city tax	203,643	-	-
Licenses and permits	8,860	-	-
Use of money and property	84,729	-	-
Intergovernmental	428,876	426,537	-
Charges for service	433,311	-	-
Special assessments	-	-	-
Miscellaneous	41,835	11,956	49,038
Total receipts	<u>\$ 2,054,300</u>	<u>\$ 438,493</u>	<u>\$ 540,719</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 686,633	\$ -	\$ 230,388
Public works	288,195	645,993	75,121
Health and social services	-	7,800	-
Culture and recreation	359,434	-	63,909
Community and economic development	86,733	-	-
General government	455,582	-	98,030
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>\$ 1,876,577</u>	<u>\$ 653,793</u>	<u>\$ 467,448</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 177,723</u>	<u>\$ (215,300)</u>	<u>\$ 73,271</u>
Other financing sources (uses):			
Transfers in	\$ 283,998	\$ 218,000	\$ -
Transfers out	(89,199)	-	-
Total other financing sources (uses)	<u>\$ 194,799</u>	<u>\$ 218,000</u>	<u>\$ -</u>
Change in cash balances	\$ 372,522	\$ 2,700	\$ 73,271
Cash balances beginning of year	<u>935,931</u>	<u>233,497</u>	<u>246,425</u>
Cash balances end of year	<u>\$ 1,308,453</u>	<u>\$ 236,197</u>	<u>\$ 319,696</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Streets	-	236,197	-
Urban renewal purposes	-	-	-
Debt service	-	-	-
Other purposes	-	-	319,696
Assigned for:			
Community Center	-	-	-
Police/Ambulance Building	154	-	-
Library	83,135	-	-
Other	544,923	-	-
Unassigned	<u>680,241</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,308,453</u>	<u>\$ 236,197</u>	<u>\$ 319,696</u>

See Notes to Financial Statements.

<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 320,962	\$ 24,888	\$ 1,690,577
374,443	-	-	374,443
-	-	391,314	391,314
-	-	35,759	239,402
-	-	-	8,860
-	-	3,635	88,364
-	-	19,119	874,532
-	-	-	433,311
-	-	21,541	21,541
-	32,000	3,150	137,979
<u>\$ 374,443</u>	<u>\$ 352,962</u>	<u>\$ 499,406</u>	<u>\$ 4,260,323</u>
\$ 65,384	\$ -	\$ -	\$ 982,405
280	-	-	1,009,589
-	-	-	7,800
-	-	-	423,343
-	-	95,840	182,573
17,650	-	-	571,262
-	720,956	-	720,956
-	-	141,479	141,479
<u>\$ 83,314</u>	<u>\$ 720,956</u>	<u>\$ 237,319</u>	<u>\$ 4,039,407</u>
<u>\$ 291,129</u>	<u>\$ (367,994)</u>	<u>\$ 262,087</u>	<u>\$ 220,916</u>
\$ -	\$ 375,485	\$ 129,834	\$ 1,007,317
(100,635)	-	(438,746)	(628,580)
<u>\$ (100,635)</u>	<u>\$ 375,485</u>	<u>\$ (308,912)</u>	<u>\$ 378,737</u>
\$ 190,494	\$ 7,491	\$ (46,825)	\$ 599,653
<u>538,535</u>	<u>217,932</u>	<u>445,146</u>	<u>2,617,466</u>
<u>\$ 729,029</u>	<u>\$ 225,423</u>	<u>\$ 398,321</u>	<u>\$ 3,217,119</u>
\$ -	\$ -	\$ 75,681	\$ 75,681
-	-	-	236,197
-	-	17,695	17,695
-	225,423	-	225,423
729,029	-	178,928	1,227,653
-	-	100,070	100,070
-	-	-	154
-	-	-	83,135
-	-	23,085	568,008
-	-	2,862	683,103
<u>\$ 729,029</u>	<u>\$ 225,423</u>	<u>\$ 398,321</u>	<u>\$ 3,217,119</u>

CITY OF CLARION, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise			
	Water	Water Utility Improvement	Water Well Project	Water Main Project
Operating receipts:				
Charges for service	\$ 955,920	\$ -	\$ -	\$ -
Operating disbursements:				
Business type activities	<u>481,268</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of operating receipts over operating disbursement	\$ 474,652	\$ -	\$ -	\$ -
Non-operating receipts (disbursements):				
Community Development Block Grant	\$ -	\$ -	\$ 250,137	\$ 474,764
Miscellaneous	1,878	12,933	22,539	-
Debt service	-	-	-	-
Capital projects	<u>-</u>	<u>(1,437,394)</u>	<u>(492,828)</u>	<u>(5,180)</u>
Net non-operating receipts (disbursements)	\$ 1,878	\$ (1,424,461)	\$ (220,152)	\$ 469,584
Excess (deficiency) of receipts over (under) disbursements	\$ 476,530	\$ (1,424,461)	\$ (220,152)	\$ 469,584
Other financing sources (uses):				
Revenue bond and note proceeds	\$ -	\$ 350,537	\$ 470,606	\$ 743,761
Transfers in	-	1,207,608	116,894	-
Transfers out	<u>(411,256)</u>	<u>-</u>	<u>-</u>	<u>(1,162,314)</u>
Total other financing sources (uses)	\$ (411,256)	\$ 1,558,145	\$ 587,500	\$ (418,553)
Change in cash balances	\$ 65,274	\$ 133,684	\$ 367,348	\$ 51,031
Cash balances beginning of year	<u>530,622</u>	<u>188,842</u>	<u>(393,909)</u>	<u>105,146</u>
Cash balances end of year	<u>\$ 595,896</u>	<u>\$ 322,526</u>	<u>\$ (26,561)</u>	<u>\$ 156,177</u>
Cash Basis Fund Balances				
Committed for waste water	\$ -	\$ -	\$ -	\$ -
Assigned for water improvement	-	322,526	-	156,177
Assigned for sewer improvement	-	-	-	-
Unrestricted	<u>595,896</u>	<u>-</u>	<u>(26,561)</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 595,896</u>	<u>\$ 322,526</u>	<u>\$ (26,561)</u>	<u>\$ 156,177</u>

See Notes to Financial Statements.

<u>Water Plant Project</u>	<u>Sewer</u>	<u>Sewer Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 943,395	\$ -	\$ 177,322	\$ 2,076,637
-	263,370	-	116,835	861,473
\$ -	\$ 680,025	\$ -	\$ 60,487	\$ 1,215,164
\$ -	\$ -	\$ -	\$ -	\$ 724,901
-	2,088	-	-	39,438
-	-	-	(400,335)	(400,335)
(393,496)	-	-	-	(2,328,898)
\$ (393,496)	\$ 2,088	\$ -	\$ (400,335)	\$ (1,964,894)
\$ (393,496)	\$ 682,113	\$ -	\$ (339,848)	\$ (749,730)
\$ -	\$ -	\$ -	\$ -	\$ 1,564,904
-	-	150,000	370,662	1,845,164
-	(627,437)	-	(22,894)	(2,223,901)
\$ -	\$ (627,437)	\$ 150,000	\$ 347,768	\$ 1,186,167
\$ (393,496)	\$ 54,676	\$ 150,000	\$ 7,920	\$ 436,437
-	680,508	436,636	313,045	1,860,890
<u>\$ (393,496)</u>	<u>\$ 735,184</u>	<u>\$ 586,636</u>	<u>\$ 320,965</u>	<u>\$ 2,297,327</u>
\$ -	\$ -	\$ -	\$ 12,737	\$ 12,737
-	-	-	-	478,703
-	-	586,636	-	586,636
(393,496)	735,184	-	308,228	1,219,251
<u>\$ (393,496)</u>	<u>\$ 735,184</u>	<u>\$ 586,636</u>	<u>\$ 320,965</u>	<u>\$ 2,297,327</u>

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies

The City of Clarion is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and landfill services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Clarion has included all funds, organizations, agencies, boards, commissions and authorities, except for the Iowa Specialty Hospital - Clarion. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Clarion (the Primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative office.

Component Unit - The Iowa Specialty Hospital - Clarion is not presented in these financial statements. It is legally separate from the City, but is financially accountable to the City. The Hospital is governed by a six-member board appointed by the City Council and the Hospital's operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Wright County Assessor's Conference Board and the Mid-Iowa Development Association Council of Governments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies - continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular program function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the employee benefits tax levy.

The Local Option Sales Tax Fund is used to account for local option sales tax revenues.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies - continued

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Water Utility Improvement Fund accounts for the capital improvements to the City's water utility system.

The Enterprise, Water Well Project Fund accounts for the capital improvements to the City's well system.

The Enterprise, Water Main Project Fund accounts for capital improvements to the City's water main system.

The Enterprise, Water Plant Project Fund accounts for the capital improvements to the City's water plant.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sewer Improvement Fund accounts for the capital improvements to the City's sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) Summary of Significant Accounting Policies - continued

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(2) Cash and Pooled Investments - continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds and notes	\$ 3,709,000	\$ -	\$ 466,000	\$3,243,000	\$ 442,000
Urban renewal revenue annual appropriation revenue bonds	<u>232,000</u>	<u>-</u>	<u>74,000</u>	<u>158,000</u>	<u>77,000</u>
Governmental activities total	<u>\$ 3,941,000</u>	<u>\$ -</u>	<u>\$ 540,000</u>	<u>\$3,401,000</u>	<u>\$ 519,000</u>
Business type activities:					
Sewer revenue bonds	\$ 5,656,000	\$ -	\$ 147,000	\$5,509,000	\$ 151,000
Water revenue bonds and note	<u>311,591</u>	<u>1,198,200</u>	<u>74,300</u>	<u>1,435,491</u>	<u>47,000</u>
Business-type activities total	<u>\$ 5,967,591</u>	<u>\$1,198,200</u>	<u>\$ 221,300</u>	<u>\$6,944,491</u>	<u>\$ 198,000</u>

General Obligation Bonds and Notes

A summary of the City's June 30, 2021 general obligation bonds and notes payable is as follows:

Year Ending June 30,	<u>Capital Loan Notes</u> <u>Issued July 1, 2009</u>			<u>Storm Water</u> <u>Issued April 1, 2013</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2022	5.75%	\$ 55,000	\$ 24,487	2.50%	\$ 62,000	\$ 6,450
2023	5.75	55,000	21,325	2.50	64,000	4,900
2024	5.75	55,000	18,163	2.50	65,000	3,300
2025	6.00	60,000	15,000	2.50	67,000	1,675
2026	6.00	60,000	11,400	-	-	-
2027-2031	6.00	130,000	11,700	-	-	-
2032	-	-	-	-	-	-
Total		<u>\$ 415,000</u>	<u>\$102,075</u>		<u>\$ 258,000</u>	<u>\$ 16,325</u>

Year Ending June 30,	<u>Go Annual Appropriation</u> <u>Issued June 26, 2014</u>			<u>Go Annual Appropriation</u> <u>Issued June 26, 2014</u>			<u>General Obligation</u> <u>Issued September 6, 2017</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2022	3.35%	\$ 140,000	\$ 20,376	-	\$ -	\$ 58,650	1.65%	\$ 85,000	\$ 8,708
2023	3.90	145,000	15,404	-	-	58,650	1.90	90,000	7,304
2024	3.90	150,000	9,750	-	-	58,650	1.90	90,000	5,594
2025	3.90	100,000	3,900	3.25%	100,000	58,650	2.10	90,000	3,886
2026	-	-	-	4.00	175,000	55,400	2.10	95,000	1,996
2027-2031	-	-	-	4.00	990,000	165,800	-	-	-
2032	-	-	-	4.00	220,000	8,800	-	-	-
Total		<u>\$ 535,000</u>	<u>\$ 49,430</u>		<u>\$1,485,000</u>	<u>\$464,600</u>		<u>\$ 450,000</u>	<u>\$ 27,488</u>

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) Bonds and Notes Payable - continued

Year Ending June 30,	General Obligation Issued May 31, 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	4.75%	\$ 100,000	\$ 4,750	\$ 442,000	\$ 123,421	\$ 565,421
2023		-	-	354,000	107,583	461,583
2024		-	-	360,000	95,457	455,457
2025		-	-	417,000	83,111	500,111
2026		-	-	330,000	68,796	398,796
2027-2031		-	-	1,120,000	177,500	1,297,500
2032		-	-	220,000	8,800	228,800
Total		\$ 100,000	\$ 4,750	\$3,243,000	\$ 664,668	\$3,907,668

On July 1, 2009, the City issued \$925,000 of general obligation notes with interest rates ranging from 3.00% to 6.00% per annum. The notes were issued for an urban renewal project, constructing a police/ambulance facility and storm sewer improvements. During the year ended June 30, 2021, the City paid \$50,000 of principal and \$27,137 of interest on the notes.

On June 1, 2010, the City issued \$301,000 of general obligation notes with interest rates ranging from 2.90% to 4.00% per annum. The notes were issued for equipment acquisition. During the year ended June 30, 2021, the City paid \$35,000 of principal and \$212 of interest on the notes.

On April 1, 2013, the City issued \$716,000 of general obligation bonds with interest rates ranging from 1.50% to 2.50% per annum. The bonds were issued for storm water drainage improvements. During the year ended June 30, 2021, the City paid \$61,000 of principal and \$7,975 of interest on the bonds.

On June 26, 2014, the City issued \$1,185,000 of general obligation bonds with interest rates ranging from 1.75% to 4.00% per annum. The bonds were issued for constructing street, water system, sanitary sewer system, sidewalk and storm water drainage improvements. During the year ended June 30, 2021, the City paid \$135,000 of principal and \$24,898 of interest on the bonds.

On June 26, 2014, the City issued \$1,485,000 of general obligation bonds with interest rates ranging from 3.25% to 4.00% per annum. The bonds were issued for constructing street, water system, sanitary sewer system, sidewalk and storm water drainage improvements. During the year ended June 30, 2021, the City did not pay any principal and paid \$58,650 of interest on the bonds.

On September 6, 2017, the City issued \$785,000 of general obligation bonds with interest rates ranging from 1.35% to 2.10% per annum. The bonds were issued for public parking improvements and acquiring public safety equipment. During the year ended June 30, 2021, the City paid \$85,000 of principal and \$10,110 of interest on the bonds.

On May 31, 2019, the City issued \$295,000 of general obligation bonds with an interest rate of 4.75% per annum. The bonds were issued for equipment acquisition and property improvements. During the year ended June 30, 2021, the City paid \$100,000 of principal and \$9,776 of interest on the bonds.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) Bonds and Notes Payable - continued

Urban Renewal Revenue Annual Appropriation Refunding Bonds

The City's June 30, 2021 urban renewal revenue annual appropriation refunding bonds payable is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	2.50%	\$ 77,000	\$ 3,950	\$ 80,950
2023	2.50	81,000	2,025	83,025
		<u>\$ 158,000</u>	<u>\$ 5,975</u>	<u>\$ 163,975</u>

The City issued \$1,213,000 of urban renewal annual appropriation refunding bonds in March 2013 for the purpose of refunding the aquatic center and library urban renewal annual appropriation capital loan notes. The notes are payable solely from the net revenues of urban renewal project credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$163,975, payable through June 2023. For the current year, principal and interest paid were \$74,000 and \$5,800, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provision:

- (a) The bonds will only be redeemed from the net revenues of the urban renewal projects.

Revenue Bonds and Notes

A summary of the City's June 30, 2021 revenue bonds and notes payable is as follows:

<u>Year Ending June 30,</u>	<u>Sewer Issued September 4, 2015</u>			<u>Water Issued January 10, 2020</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2022	2.75%	\$ 151,000	\$ 151,498	1.75%	\$ 21,000	\$ 11,306
2023	2.75	156,000	147,344	1.75	21,000	10,938
2024	2.75	160,000	143,054	1.75	22,000	10,570
2025	2.75	165,000	138,656	1.75	22,000	10,186
2026	2.75	170,000	134,118	1.75	23,000	9,800
2027-2031	2.75	929,000	597,628	1.75	119,000	42,916
2032-2036	2.75	1,079,000	461,916	1.75	131,000	32,082
2037-2041	2.75	1,250,000	304,396	1.75	146,000	20,096
2042-2046	2.75	<u>1,449,000</u>	<u>121,880</u>	1.75	<u>141,040</u>	<u>6,794</u>
Total		<u>\$5,509,000</u>	<u>\$2,200,490</u>		<u>\$ 646,040</u>	<u>\$ 154,688</u>

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) Bonds and Notes Payable - continued

Year Ending June 30,	Water Issued October 16, 2020			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.75%	\$ 26,000	\$ 13,835	\$ 198,000	\$ 176,639	\$ 374,639
2023	1.75	27,000	13,394	204,000	171,676	375,676
2024	1.75	27,000	12,920	209,000	166,544	375,544
2025	1.75	28,000	12,448	215,000	161,290	376,290
2026	1.75	28,000	11,958	221,000	155,876	376,876
2027-2031	1.75	150,000	52,196	1,198,000	692,740	1,890,740
2032-2036	1.75	165,000	38,548	1,375,000	532,546	1,907,546
2037-2041	1.75	182,000	23,534	1,578,000	348,026	1,926,026
2042-2046	1.75	<u>156,451</u>	<u>6,970</u>	<u>1,746,491</u>	<u>135,644</u>	<u>1,882,135</u>
Total		<u>\$ 789,451</u>	<u>\$ 185,803</u>	<u>\$6,944,491</u>	<u>\$2,540,981</u>	<u>\$9,485,472</u>

On September 4, 2015, the City issued \$6,200,000 of sewer revenue bonds to provide financing for constructing improvements and extensions to the municipal sewer utility. The bonds bear interest at 2.75%, per annum, and mature in 2046. During the year ended June 30, 2021, the City paid principal of \$147,000 and interest of \$155,540 on the bonds.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,200,000 of sewer revenue bonds issued in September 2015. The bonds are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds are expected to require less than 5% of net receipts. The total principal and interest remaining to be paid on the bonds is \$7,709,490. For the current year, principal and interest paid and total customer net receipts were \$302,540 and \$680,025, respectively.

On January 10, 2020, the City issued \$826,000 of water revenue notes to provide financing for water meter replacement cost. The notes bear interest at 1.75%, per annum, and are payable through 2033. During the year ended June 30, 2021, the City paid principal of \$20,000 and interest of \$10,015 on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$826,000 of water revenue notes issued in January 2020. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require less than 5% of net receipts. The total principal and interest remaining to be paid on the notes is \$800,728. For the current year, principal and interest paid and total customer net receipts were \$30,015 and \$474,652, respectively.

On October 16, 2020, the City issued \$815,451 of water revenue bonds to provide financing for constructing improvements and extensions to the municipal waterworks utility system. The bonds bear interest at 1.75%, per annum, and are payable through 2045. During the year ended June 30, 2021, the City paid principal of \$26,000 and interest of \$7,654 on the bonds.

The City has pledged future water utility customer receipts, net of specified operating disbursements, to repay \$815,451 of water revenue bonds issued in October 2020. The bonds are payable solely from water utility customer net receipts and the Sinking Fund. The total principal and interest remaining to be paid on the bonds is \$975,254. For the current year, principal and interest paid and total customer net receipts were \$33,654 and \$474,652, respectively.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(3) **Bonds and Notes Payable** - continued

The resolutions providing for the issuance of the sewer and water revenue bonds/notes include the following provisions:

- a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and bond/note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate sewer and water revenue bond/note sinking accounts within the Enterprise Funds for the purpose of making the bond/note principal and interest payments when due.
- c) Additional monthly transfers shall be made to sewer and water revenue bond reserve accounts within the Enterprise Funds until specific minimum balances have been accumulated in the accounts. These accounts are restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest.

Anticipation Notes

On December 20, 2019, the City authorized and approved the issuance of a \$1,500,000 Water Revenue Loan and Disbursement Agreement Anticipation Project Note to provide funds to pay the costs of planning, designing, and constructing improvements and extensions to the utility project. The notes bear interest of 0% per annum. During the year, \$366,704 was drawn down on the note. Total principal due at June 30, 2021, was \$465,265.

(4) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$110,805.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$662,453 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.117671%, which was a decrease of 0.014526% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$149,325, \$199,603 and \$101,729, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(4) Pension Plan - continued

expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	<u>3.0</u>	3.11
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability	\$1,335,487	\$ 662,453	\$ 98,424

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$188,347 and plan members eligible for benefits contributed \$22,212 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(5) **Other Postemployment Benefits (OPEB)** - continued

OPEB Benefits - Individuals who are employed by the City of Clarion and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>18</u>
Total	<u><u>19</u></u>

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, comp time and sick leave payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 94,934
Comp time	4,482
Sick leave	<u>937</u>
Total	<u><u>\$ 100,353</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) **Wright County Area Landfill Authority**

The City, in conjunction with city, town and unincorporated portion of Wright County, Iowa, has created the Wright County Area Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Authority will be prorated among the members. The governing body of the Authority consists of one representative from each member. Each member has one vote.

The Authority is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Clarion has an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2021, the City of Clarion paid the Authority \$89,063 for its share of the costs. Complete financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency Levy	\$ 23,261
	Local Option Sales Tax	40,000
		<u>\$ 63,261</u>
	Enterprise:	
	Water	\$ 37,086
	Sewer	160,757
	Landfill	10,000
	Storm Sewer	12,894
		<u>\$ 220,737</u>
		<u>\$ 283,998</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales Tax	\$ 60,000
	Enterprise:	
	Water	158,000
Tax Increment Financing	General	40,000
Tax Increment Financing Debt	Special Revenue:	
	Tax Increment Financing	40,000
		<u>\$ 298,000</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>\$ 375,485</u>
Capital Projects:		
Fire Station	General	\$ 41,199
Fire Equipment Replacement	General	8,000
CDBG Housing Project	Special Revenue:	
	Local Option Sales Tax	635
		<u>\$ 49,834</u>
Enterprise:	Enterprise:	
Water Improvement	Water	\$ 150,000
	Water Main Project	1,057,608
Water Debt Service	Water	53,982
Water Well Project	Water	12,188
	Water Main Project	104,706
Sewer Sinking	Sewer	316,680
Sewer Improvement	Sewer	150,000
		<u>\$ 1,845,164</u>
Total		<u>\$ 2,852,481</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(9) **Related Party Transactions**

The City had business transactions between the City and City officials totaling \$94,537 during the year ended June 30, 2021.

(10) **Industrial Development Revenue Bonds**

The City has issued a total of \$15,122,901 of industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$13,087,901 is outstanding at June 30, 2021. The bonds and related interest are payable solely from the revenues generated by the entities and the bond principal and interest do not constitute liabilities of the City.

(11) **Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) **Commitments**

At June 30, 2021, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred to Date</u>
Water supply enhancement	\$ 467,145	\$ 443,047
Water supply enhancement	151,764	144,176
Water supply enhancement	1,139,222	1,094,345
514 2 nd St SW	29,000	-
Total	<u>\$1,787,131</u>	<u>\$1,681,568</u>

(13) **Development Agreement**

The City entered into a development agreement with i2 Clarion, Corp (developer) for a housing development with a minimum assessed value of \$200,000 per lot. The City agreed to pay the developer an amount not to exceed \$300,000 subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City did not rebate any incremental property tax to the developer. At June 30, 2021, the remaining balance to be paid on the agreement was \$207,215.

The City entered into a development agreement with Clarion Hotel Group LLC (developer) for a hotel development with a minimum assessed value of \$1,200,000. The City agreed to pay the developer an amount not to exceed \$340,000 subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated \$34,000 of incremental property tax to the developer. At June 30, 2021, the remaining balance to be paid on the agreement was \$204,000.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(13) **Development Agreement** - continued

The City entered into a development agreement with Wright County Family Dental (developer) for a new building with a minimum assessed value of \$3,000,000. The City agreed to pay the developer an amount not to exceed \$150,000 subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City did not rebate any incremental property tax to the developer. At June 30, 2021, the remaining balance to be paid on the agreement was \$150,000.

(14) **Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, the City abated \$34,000 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the City were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entity:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
---------------	------------------------------	-----------------------------

None		
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(15) **Deficit Balances**

The Capital Projects, CDBG Housing Project Fund had a deficit balance of \$493 at June 30, 2021. The deficit will be eliminated upon the completion of the project.

The Capital Projects, Street Project Fund had a deficit balance of \$280 at June 30, 2021. The deficit will be eliminated upon the completion of the project.

The Enterprise, Water Debt Service Fund had a deficit balance of \$16,311 at June 30, 2021. The deficit will be eliminated with transfers in.

The Enterprise, Water Well Project Fund had a deficit balance of \$26,562 at June 30, 2021. The deficit will be eliminated upon the completion of the project, with bond proceeds.

CITY OF CLARION, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(15) **Deficit Balances** - continued

The Enterprise, Water Plant Project Fund had a deficit balance of \$393,496 at June 30, 2021. The deficit will be eliminated upon the completion of the project, with bond proceeds.

The Enterprise, Sewer Sinking Fund had a deficit balance of \$5,835 at June 30, 2021. The deficit will be eliminated with transfers in.

(16) **COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economics, including that of the City of Clarion, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Clarion. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Clarion.

(17) **Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

CITY OF CLARION, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted
RECEIPTS:			
Property tax	\$ 1,690,577	\$ -	\$ -
Tax increment financing	391,314	-	-
Other city tax	613,845	-	-
Licenses and permits	8,860	-	-
Use of money and property	88,364	-	-
Intergovernmental	874,532	724,901	-
Charges for service	433,311	2,076,637	-
Special assessments	21,541	-	-
Miscellaneous	137,979	39,438	-
Total receipts	<u>\$ 4,260,323</u>	<u>\$ 2,840,976</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 982,405	\$ -	\$ -
Public works	1,009,589	-	-
Health and social services	7,800	-	-
Culture and recreation	423,343	-	-
Community and economic development	182,573	-	-
General government	571,262	-	-
Debt service	720,956	-	-
Capital projects	141,479	-	-
Business type activities	-	3,590,706	-
Total disbursements	<u>\$ 4,039,407</u>	<u>\$ 3,590,706</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 220,916	\$ (749,730)	\$ -
Other financing sources, net	<u>378,737</u>	<u>1,186,167</u>	<u>-</u>
Change in balances	\$ 599,653	\$ 436,437	\$ -
Balances beginning of year	<u>2,617,466</u>	<u>1,860,890</u>	<u>-</u>
Balances end of year	<u>\$ 3,217,119</u>	<u>\$ 2,297,327</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 1,690,577	\$ 1,561,687	\$ 1,561,687	\$ 128,890
391,314	457,601	457,601	(66,287)
613,845	511,121	511,121	102,724
8,860	33,630	33,630	(24,770)
88,364	320,000	320,000	(231,636)
1,599,433	1,325,334	1,325,334	274,099
2,509,948	2,108,624	2,108,624	401,324
21,541	-	-	21,541
177,417	27,300	27,300	150,117
<u>\$ 7,101,299</u>	<u>\$ 6,345,297</u>	<u>\$ 6,345,297</u>	<u>\$ 756,002</u>
\$ 982,405	\$ 1,097,279	\$ 1,097,279	\$ 114,874
1,009,589	881,138	881,138	(128,451)
7,800	6,000	6,000	(1,800)
423,343	459,726	459,726	36,383
182,573	129,500	179,500	(3,073)
571,262	729,018	729,018	157,756
720,956	698,470	698,470	(22,486)
141,479	730,000	465,000	323,521
3,590,706	2,917,354	3,182,354	(408,352)
<u>\$ 7,630,113</u>	<u>\$ 7,648,485</u>	<u>\$ 7,698,485</u>	<u>\$ 68,372</u>
\$ (528,814)	\$ (1,303,188)	\$ (1,353,188)	\$ 824,374
<u>1,564,904</u>	<u>900,000</u>	<u>900,000</u>	<u>664,904</u>
\$ 1,036,090	\$ (403,188)	\$ (453,188)	\$ 1,489,278
<u>4,478,356</u>	<u>4,855,802</u>	<u>4,855,802</u>	<u>(377,446)</u>
<u>\$ 5,514,446</u>	<u>\$ 4,452,614</u>	<u>\$ 4,402,614</u>	<u>\$ 1,111,832</u>

CITY OF CLARION, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$495,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, debt service and business type activities functions.

CITY OF CLARION, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS * (IN THOUSANDS)

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.117671%	0.132197%
City's proportionate share of the net pension liability	\$ 662	\$ 442
City's covered payroll	\$ 1,168	\$ 1,125
City's proportionate share of the net pension liability as a percentage of its covered payroll	56.68%	39.29%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's Report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.143991%	0.143645%	0.152330%	0.135869%	0.161258%
\$ 490	\$ 565	\$ 517	\$ 343	\$ 233
\$ 1,083	\$ 1,062	\$ 1,081	\$ 1,040	\$ 972
45.24%	53.20%	47.83%	32.98%	23.97%
83.62%	82.21%	81.82%	85.19%	87.61%

CITY OF CLARION, IOWA
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS (IN THOUSANDS)

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 111	\$ 108
Contributions in relation to the statutorily required contribution	<u>(111)</u>	<u>(108)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,168	\$ 1,125
Contributions as a percentage of covered payroll	9.50%	9.60%

See Accompanying Independent Auditor's Report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 106	\$ 99	\$ 101	\$ 97	\$ 92
<u>(106)</u>	<u>(99)</u>	<u>(101)</u>	<u>(97)</u>	<u>\$ (92)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,083	\$ 1,062	\$ 1,081	\$ 1,040	\$ 972
9.79%	9.32%	9.34%	9.33%	9.47%

CITY OF CLARION, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms:

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

CITY OF CLARION, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Special Revenue</u>			
	<u>Emergency Levy</u>	<u>Hotel- Motel</u>	<u>Tax Increment Financing</u>	<u>Tax Increment Financing Debt</u>
RECEIPTS:				
Property tax	\$ 24,888	\$ -	\$ -	\$ -
Tax increment financing	-	-	391,314	-
Other city tax	-	35,759	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	21,541	-
Miscellaneous	-	-	-	-
Total receipts	<u>\$ 24,888</u>	<u>\$ 35,759</u>	<u>\$ 412,855</u>	<u>\$ -</u>
DISBURSEMENTS:				
Operating:				
Community and economic development	\$ -	\$ 29,728	\$ 34,000	\$ 7,500
Capital projects	-	-	-	-
Total disbursements	<u>\$ -</u>	<u>\$ 29,728</u>	<u>\$ 34,000</u>	<u>\$ 7,500</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 24,888</u>	<u>\$ 6,031</u>	<u>\$ 378,855</u>	<u>\$ (7,500)</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 40,000	\$ 40,000
Transfers out	(23,261)	-	(415,485)	-
Total other financing sources (uses)	<u>\$ (23,261)</u>	<u>\$ -</u>	<u>\$ (375,485)</u>	<u>\$ 40,000</u>
Change in cash balances	\$ 1,627	\$ 6,031	\$ 3,370	\$ 32,500
Cash balances beginning of year	154	95,267	14,325	43,349
Cash balances end of year	<u>\$ 1,781</u>	<u>\$ 101,298</u>	<u>\$ 17,695</u>	<u>\$ 75,849</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	1,781	101,298	17,695	75,849
Assigned for capital projects	-	-	-	-
Unassigned	-	-	-	-
Total cash basis fund balances	<u>\$ 1,781</u>	<u>\$ 101,298</u>	<u>\$ 17,695</u>	<u>\$ 75,849</u>

See Accompanying Independent Auditor's Report.

<u>Capital Projects</u>					<u>Permanent</u>	
<u>CDBG Housing Project</u>	<u>Community Center</u>	<u>Fire Equipment Replacement</u>	<u>Street Project</u>	<u>Fire Station</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,888
-	-	-	-	-	-	391,314
-	-	-	-	-	-	35,759
-	-	-	-	-	3,635	3,635
19,119	-	-	-	-	-	19,119
-	-	-	-	-	-	21,541
-	-	3,000	-	-	150	3,150
<u>\$ 19,119</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,785</u>	<u>\$ 499,406</u>
\$ 24,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,840
-	-	-	280	141,199	-	141,479
<u>\$ 24,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280</u>	<u>\$ 141,199</u>	<u>\$ -</u>	<u>\$ 237,319</u>
\$ (5,493)	\$ -	\$ 3,000	\$ (280)	\$ (141,199)	\$ 3,785	\$ 262,087
\$ 635	\$ -	\$ 8,000	\$ -	\$ 41,199	\$ -	\$ 129,834
-	-	-	-	-	-	(438,746)
<u>\$ 635</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 41,199</u>	<u>\$ -</u>	<u>\$ (308,912)</u>
\$ (4,858)	\$ -	\$ 11,000	\$ (280)	\$ (100,000)	\$ 3,785	\$ (46,825)
4,365	100,070	12,085	-	100,000	75,531	445,146
<u>\$ (493)</u>	<u>\$ 100,070</u>	<u>\$ 23,085</u>	<u>\$ (280)</u>	<u>\$ -</u>	<u>\$ 79,316</u>	<u>\$ 398,321</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,681	\$ 75,681
-	-	-	-	-	-	196,623
-	100,070	23,085	-	-	-	123,155
<u>(493)</u>	<u>-</u>	<u>-</u>	<u>(280)</u>	<u>-</u>	<u>3,635</u>	<u>2,862</u>
<u>\$ (493)</u>	<u>\$ 100,070</u>	<u>\$ 23,085</u>	<u>\$ (280)</u>	<u>\$ -</u>	<u>\$ 79,316</u>	<u>\$ 398,321</u>

CITY OF CLARION, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise</u>	
	<u>Water Debt Service</u>	<u>Sewer Sinking</u>
Operating receipts:		
Charges for service	\$ -	\$ -
Operating disbursements:		
Business type activities	<u>-</u>	<u>-</u>
Excess of operating receipts over operating disbursements	\$ -	\$ -
Non-operating disbursements:		
Debt service	<u>(77,771)</u>	<u>(322,564)</u>
Excess (deficiency) of receipts over (under) disbursements	\$ <u>(77,771)</u>	\$ <u>(322,564)</u>
Other financing sources (uses):		
Transfers in	\$ 53,982	\$ 316,680
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses)	\$ <u>53,982</u>	\$ <u>316,680</u>
Change in cash balances	\$ (23,789)	\$ (5,884)
Cash balances beginning of year	<u>7,478</u>	<u>49</u>
Cash balances end of year	<u><u>\$ (16,311)</u></u>	<u><u>\$ (5,835)</u></u>
Cash Basis Fund Balances		
Committed for waste water	\$ -	\$ -
Unrestricted	<u>(16,311)</u>	<u>(5,835)</u>
Total cash basis fund balances	<u><u>\$ (16,311)</u></u>	<u><u>\$ (5,835)</u></u>

See Accompanying Independent Auditor's Report.

<u>Waste Water Project</u>	<u>Landfill</u>	<u>Storm Sewer</u>	<u>Total</u>
\$ -	\$ 88,800	\$ 88,522	\$ 177,322
-	93,564	23,271	116,835
\$ -	\$ (4,764)	\$ 65,251	\$ 60,487
-	-	-	(400,335)
\$ -	\$ (4,764)	\$ 65,251	\$ (339,848)
\$ -	\$ -	\$ -	\$ 370,662
-	(10,000)	(12,894)	(22,894)
\$ -	\$ (10,000)	\$ (12,894)	\$ 347,768
\$ -	\$ (14,764)	\$ 52,357	\$ 7,920
12,737	90,262	202,519	313,045
<u>\$ 12,737</u>	<u>\$ 75,498</u>	<u>\$ 254,876</u>	<u>\$ 320,965</u>
\$ 12,737	\$ -	\$ -	\$ 12,737
-	75,498	254,876	308,228
<u>\$ 12,737</u>	<u>\$ 75,498</u>	<u>\$ 254,876</u>	<u>\$ 320,965</u>

CITY OF CLARION, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Receipts:				
Property tax	\$1,690,577	\$1,464,904	\$1,505,585	\$1,369,091
Local option sales tax	374,443	-	-	-
Tax increment financing	391,314	439,731	490,932	543,263
Other city tax	239,402	552,283	612,514	404,892
Licenses and permits	8,860	12,054	14,121	10,859
Use of money and property	88,364	80,718	80,895	88,726
Intergovernmental	874,532	969,463	455,829	557,969
Charges for service	433,311	290,756	244,260	250,456
Special assessments	21,541	3,500	3,667	17,360
Miscellaneous	137,979	119,277	230,509	172,453
Total	<u>\$4,260,323</u>	<u>\$3,932,686</u>	<u>\$3,638,312</u>	<u>\$3,415,069</u>
Disbursements:				
Operating:				
Public safety	\$ 982,405	\$1,168,053	\$1,021,071	\$1,395,758
Public works	1,009,589	1,229,067	1,100,213	805,467
Health and social services	7,800	2,880	5,760	5,760
Culture and recreation	423,343	437,940	396,572	382,795
Community and economic development	182,573	126,935	128,038	176,538
General government	571,262	587,075	552,383	495,096
Debt Service	720,956	797,235	735,289	1,277,008
Capital projects	141,479	9,968	-	37,183
Total	<u>\$4,039,407</u>	<u>\$4,359,153</u>	<u>\$3,939,326</u>	<u>\$4,575,605</u>

See Accompanying Independent Auditor's Report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$1,329,983	\$1,143,811	\$1,320,765	\$1,264,613	\$1,231,513	\$1,091,808
-	-	-	-	-	-
429,731	535,348	533,360	565,570	548,881	746,232
346,880	330,333	273,681	265,145	270,035	285,334
5,536	6,195	17,678	4,972	6,356	10,137
80,824	80,513	93,242	138,006	116,946	46,426
848,681	467,970	538,796	685,895	354,932	752,074
283,899	316,809	296,765	219,900	346,682	464,342
23,452	5,491	15,891	18,747	26,024	30,624
166,928	150,334	184,206	107,748	141,000	209,135
<u>\$3,515,914</u>	<u>\$3,036,804</u>	<u>\$3,274,384</u>	<u>\$3,270,596</u>	<u>\$3,042,369</u>	<u>\$3,636,112</u>
\$ 916,054	\$ 929,491	\$ 813,259	\$ 801,101	\$ 889,130	\$ 992,386
1,078,697	465,237	444,418	471,554	457,082	508,266
5,630	5,500	5,500	5,500	6,269	7,800
438,988	295,206	290,904	331,491	313,813	397,103
215,267	772,825	1,669,281	661,636	164,327	202,499
524,865	268,927	228,475	201,945	207,396	316,751
1,029,459	706,137	858,420	763,495	1,858,014	736,085
33,529	-	235,985	802,375	347,357	474,787
<u>\$4,242,489</u>	<u>\$3,443,323</u>	<u>\$4,546,242</u>	<u>\$4,039,097</u>	<u>\$4,243,388</u>	<u>\$3,635,677</u>

CITY OF CLARION, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
U.S. Department of Treasury:			
Airport Improvement Project	20.106	3-19-0018-015- 2020	\$ 223,048
Indirect:			
Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grant	14.228	20-WS-005	\$ 484,609
Community Development Block Grant	14.228	19-HSG-003	31,583
Community Development Block Grant	14.228	19-WS-001	109,938
Total Indirect Awards			\$ 626,130
Total			<u>\$ 849,178</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Clarion under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Clarion, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Clarion.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

See Accompanying Independent Auditor's Report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated October 11, 2021. My report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles because the financial statements did not include the financial transactions of the Iowa Specialty Hospital - Clarion.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Clarion's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarion's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Clarion's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clarion's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as items II-A-21, II-B-21, II-D-21, II-E-21, II-F-21, II-G-21 and II-J-21 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings as items II-C-21, II-H-21, II-I-21 and II-K-21 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clarion's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Clarion's Responses to the Findings

The City of Clarion's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Clarion's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarion during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
October 11, 2021



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

I have audited the City of Clarion, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Clarion's major federal program for the year ended June 30, 2021. The City of Clarion's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the City of Clarion's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clarion's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of the City of Clarion's compliance.

Opinion on the Major Federal Program

In my opinion, the City of Clarion complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Other Matters

The results of my auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with the Uniform Guidance and is described as item III-A-21 in the accompanying Schedule of Findings. My opinion on the major federal program is not modified with respect to this matter.

The City of Clarion's response to the non-compliance finding identified in my audit is described in the accompanying Schedule of Findings. The City of Clarion's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

The management of the City of Clarion is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Clarion's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Clarion's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. I identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings as item III-A-21, I consider to be a material weakness.

The City of Clarion's response to the internal control over compliance finding identified in my audit is reported in the accompanying Schedule of Findings. The City of Clarion's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charles City, Iowa
October 11, 2021

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part I: Summary of the Independent Auditor's Results:

- (a) Qualified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles, since the financial statements did not include the financial transactions of the Iowa Specialty Hospital - Clarion.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) A modified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 14.228 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Clarion did not qualify as a low-risk auditee.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-21 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - Certain accounting functions are not properly segregated for the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have reviewed procedures and plan to make changes to improve internal control where possible.

Conclusion - Response accepted.

II-B-21 Countersignature of Checks

Criteria - Management is responsible for establishing and maintaining control over disbursements. Dual signatures help prevent losses from improper disbursements.

Condition - The City requires checks to be signed by two authorized individuals. I noted some checks with only one authorized signature.

Cause - Procedures have not been established to ensure checks have dual signatures.

Effect - Inadequate procedures could adversely affect the City's ability to detect and correct misstatements on a timely basis.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part II: Findings Related to the Financial Statements: - continued

Conclusion - Response accepted.

II-C-21 Post-dated Checks

Criteria - Procedures should be in place to ensure the proper posting of checks in the financial system. Checks should be printed in numerical order and by sequential date.

Condition - I noted a post-dated check and several checks that were not always in date sequential order.

Cause - Procedures have not been implemented to avoid the use of post-dated checks.

Effect - This condition could result in checks posted in the wrong period.

Recommendation - The City should avoid the use of post-dating checks.

Response - We will discontinue the use of post-dating checks in the future.

Conclusion - Response accepted.

II-D-21 Investment Control

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - A detailed record of investment transactions is maintained, however, the Treasurer's Report fund balances do not reconcile to the Clerk's fund balances.

Cause - Procedures have not been implemented to properly reconcile these balances.

Effect - Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation - The investments and fund balances should be reconciled to the Clerk's fund balances. This procedure will provide more accurate information on the balance available for each fund.

Response - We will include accurate information in the Clerk's report.

Conclusion - Response accepted.

II-E-21 Bank Reconciliations

Criteria - An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part II: Findings Related to the Financial Statements: - continued

Condition - Although bank reconciliations are performed monthly, differences were noted between the bank and investment account balances recorded on the bank reconciliations compared to the bank and investment account balances as recorded on the accounting system.

Cause - City policies do not require and procedures have not been established to ensure bank and investment account balances are reconciled monthly to the book balances recorded on the accounting system.

Effect - Lack of performing a comparison of book balances with the bank reconciliation balances could result in undetected errors or unauthorized activities.

Recommendation - To improve financial accountability and control, a monthly reconciliation by fund of the book and bank balances should be prepared by the City. Any differences should be investigated and resolved in a timely manner.

Response - We will begin performing monthly reconciliations.

Conclusion - Response accepted.

II-F-21

Posting of Financial Transactions

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - The receipt and disbursement entries for the Anticipation Notes were not recorded properly in the general ledger, along with several other posting errors.

Cause - City policies do not require and procedures have not been established to provide for an independent review of receipts and disbursements to ensure the City's financial statements are accurate.

Effect - Lack of City policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation - The City should establish procedures to ensure all receipts and disbursements are properly recorded and reported in the City's general ledger.

Response - We will review this in the future to avoid errors to general ledger posting.

Conclusion - Response accepted.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part II: Findings Related to the Financial Statements: - continued

II-G-21 Credit Cards

Criteria - Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personal designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes included establishing policies addressing proper asset use and proper supporting documentation.

Condition - Documentation was not always available in support of credit card charges.

Cause - Lack of supporting documentation for credit card charges is the result of a lack of policies and procedures requiring proper support for these charges.

Effect - Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation - All credit card charges should be supported by original receipts or other supporting documents.

Response - We will include all receipts with the credit card statement in the future.

Conclusion - Response accepted.

II-H-21 Timesheets

Criteria - An effective internal control system provides for internal controls related to the preparation and approval of timesheets for all City employees. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked and taken as leave.

Condition - Timesheets were not approved for all employees.

Cause - Policies have not been established and procedures have not been implemented to require timesheets be prepared by all employees or to require all timesheets to be reviewed and approved by supervisory personnel.

Effect - The lack of documented timesheet and supervisory review process increases the probability staff errors in recording of hours or leave will go undetected.

Recommendation - Timesheets should be prepared by all employees. Timesheets should be submitted to an appropriate supervisor for approval prior to the preparation of payroll. The supervisor approval should be documented by the signature of the reviewer and that date of the review.

Response - Timesheets will be reviewed and approved by supervisory personnel.

Conclusion - Response accepted.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part II: Findings Related to the Financial Statements: - continued

II-I-21 Health Insurance

Criteria - An effective internal control system provides for internal controls related to proper receipt of reimbursements owed.

Condition - The City did not receive payment for one month of Cobra insurance.

Cause - Procedures have not been implemented to properly account for health insurance reimbursements.

Effect - Lack of City policy and procedures resulted in the overpayment of health insurance.

Recommendation - The City should establish procedures to ensure reimbursements are received in the future. The City should seek reimbursement from the former employee.

Response - We will review our procedures to ensure all health insurance reimbursements are received.

Conclusion - Response accepted.

II-J-21 Airport Grant Requests

Criteria - An effective internal control system provides for internal controls related to proper grant submission for federal airport projects.

Condition - The City did not submit two requests for reimbursements totaling \$59,767.43 for the airport lighting project.

Cause - Procedures have not been implemented to properly account for grant request reimbursements.

Effect - Lack of City policy and procedures resulted in the City overpaying on the airport lighting project.

Recommendation - The City should establish procedures to ensure grant requests for reimbursement are received in the future. Paperwork should be submitted with the FAA for reimbursement for the airport project.

Response - We will complete the requests for reimbursement.

Conclusion - Response accepted.

II-K-21 Contractor's Application

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, accurate payment of invoices.

Condition - Contractors were paid incorrect amount on the Contractor's Application for Payment requests.

Cause - Procedures have not been implemented to ensure the correct payment amounts.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part II: Findings Related to the Financial Statements: - continued

Effect - Contractor's Application for Payment requests have been overpaid and underpaid.

Recommendation - Contractor payments should be reviewed to ensure correct payment has been made.

Response - We will be more careful in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Entity Identifying Number: 20-WS-005, 19-HSG-003 and 19-WS-001
Federal Award Year: 2021
U.S. Department of Housing and Urban Development
Passed through the Iowa Economic Development Authority

III-A-21 Segregation of Duties over Federal Revenues and Expenses - The (2021-001) City did not properly segregate custody, recordkeeping and reconciling functions for receipts and disbursements, including those related to federal programs. See item II-A-21.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-21 Certified Budget - Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works, health and social services, community and economic development, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation. Also, the date of the public hearing was incorrect on the published budget and the property tax levy and the notice of hearing was not published in accordance with the Code of Iowa for both the published budget and the property tax levy. The City adopted the budget after March 31st.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the City should ensure that published budgets are correct and in accordance with the Code of Iowa. Also, the budget should be certified in accordance with the Code of Iowa.

Response - The budget will be amended in the future, if applicable, and the City will be more careful in copying and publishing budgets.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting: - continued

Conclusion - Response accepted.

IV-B-21 Questionable Disbursements - No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-21 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-21 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Melissa Hansen, Owns Cleaning Service	Cleaning	\$ 350
Tiffon Willey, Spouse owns Willey's Wood Shop	Tree removal	7,195
Dan Hennigar, Owns Hennigar Construction	Contract Services	85,233 1,759

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Melissa Hansen and Dan Hennigar for services do not appear to represent a conflict of interest since total transactions did not exceed \$6,000 during the fiscal year. The transactions with Tiffon Willey may represent a conflict of interest since total transactions were greater than \$6,000 during the fiscal year and the transactions were not competitively bid. The transaction with Dan Hennigar does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

IV-E-21 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-21 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-G-21 City Council Minutes - No transactions were found that I believe should have been approved in the City Council minutes but were not.

The City did not publish a summary of receipts. Also, a resolution was not reflected in the minutes as approved. The Library Board does not post agendas or publish minutes.

Recommendation - The City should publish minutes as required and approve all resolutions.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting: - continued

Response - We will publish minutes and approve all resolutions as required.

Conclusion - Response accepted.

IV-H-21 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-21 Payment of Water Revenue Bonds - The City paid the water revenue bond/note debt from the Sewer Sinking Fund, and not from the separate sinking account as required by the bond and note resolution.

Recommendation - The City should make revenue bond/note debt payments from the sinking account, as required by the bond/note resolution.

Response - We will do this.

Conclusion - Response accepted.

IV-J-21 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, however, the following exception was noted:

The amount reported by the City as TIF Expenditures on the Levy Authority Summary do not agree with the prior year audit report.

Recommendation - The City should ensure that the total expenditures reported on the Levy Authority Summary agrees with the audit report and the City's records.

Response - This will be corrected on the next year's report.

Conclusion - Response accepted.

IV-K-21 Financial Condition - At June 30, 2021 the City had deficit balances as follows:

Capital Projects, CDBG Housing Project	\$ 493
Capital Projects, Street Project	280
Enterprise, Water Debt Service	16,311
Enterprise, Water Well Project	26,561
Enterprise, Water Plant Project	393,496
Enterprise, Sewer Sinking	5,835

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response - These accounts will be monitored in the future.

Conclusion - Response accepted.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting: - continued

- IV-L-21 Mileage Reimbursement - The City reimbursed mileage at a rate in excess of the Internal Revenue Service allowable rate. The City is not in compliance with Chapter 70A.9 of the Code of Iowa.
- Recommendation - The City should change its mileage reimbursement rate when the Internal Revenue Service mileage reimbursement rate is changed.
- Response - We will do this in the future.
- Conclusion - Response accepted.
- IV-M-21 Late Fees - The City is not paying invoices timely and are being assessed late fees.
- Recommendation - The City should ensure all invoices are being paid in a timely manner.
- Response - We will do this.
- Conclusion - Response accepted.
- IV-N-21 Interest in Cemetery Perpetual Care - Interest income from investments made from the Cemetery Perpetual Care Fund is credited to the Cemetery Perpetuary Care Fund. Chapter 523I.508 of the Code of Iowa states in part: "Interest or earnings on investments and time deposits made in accordance with the provisions of Section 12.B, 12B.10, 12C.1 and 12C.6 shall be credited to the General Fund of the governmental body making the investment or deposit, with the exception of specific funds of which investments are otherwise provided by law, constitutional funds, or when legally diverted to the State Sinking Fund for public deposits".
- Recommendation - There is no exception in the Code of Iowa for the Cemetery Perpetual Care Fund. Therefore, a transfer of \$3,634.80 to the General Fund from the Cemetery Perpetual Care Fund, is recommended. The amount represents interest income for the period July 1, 2020 through June 30, 2021. In the future, interest received from invested Cemetery Perpetual Care monies should be receipted into the General Fund.
- Response - We will correct this.
- Conclusion - Response accepted.
- IV-O-21 Transfers - Rule 545-2 of the Iowa Administrative Code requires transfers between funds be passed by resolution and include a clear statement of the reason or purpose for the transfer, the name of the affected funds and the dollar amount to be transferred. The City made transfers between funds totaling \$2,812,480 which were not approved by resolution.
- Recommendation - The City Council should ensure all transfers are approved by resolution, including all the required elements prior to the actual transfer, as required.
- Response - We will work on ensuring that all transfers are passed by City Council resolution.
- Conclusion - Response accepted.

CITY OF CLARION, IOWA
Schedule of Findings
Year Ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting: - continued

IV-P-21 Hotel/Motel Tax - In accordance with Iowa Code Chapter 423A.7(3), City hotel/motel tax should be recorded in the General Fund upon receipt. During fiscal year 2021, the City did not record hotel/motel tax receipts in the General Fund.

Recommendation - The City should establish procedures to ensure hotel/motel receipts are recorded in the General Fund, as required.

Response - We will do this.

Conclusion - Response accepted.